



Consumer Federation of America

February 21, 2003

Country of Origin Labeling Program
Agriculture Marketing Service
USDA Stop 0249
Room 2092-S
1400 Independence Avenue, SW
Washington, DC 20250-0249

Re: Docket Number LS-02-16

The Consumer Federation of America¹ is pleased to respond to the Agricultural Marketing Service's request for comments on record keeping requirements and a preliminary cost estimate for the retail country-of-origin labeling program included in the 2002 farm bill. The labeling program covers meat, produce, fish and peanuts and is scheduled to become mandatory in the fall of 2004.

General Comments

In its November 21 *Federal Register* notice, AMS discusses both record keeping requirements and potential costs of country-of-origin labeling at length. It makes no mention of the *benefits* that consumers will receive from country-of-origin labeling. This is a major omission. As a matter of choice, many consumers may wish to purchase produce grown and processed in the United States or meat from animals born, raised and processed here. Without country-of-origin labeling, these consumers are unable to make an informed choice between U.S. and imported products. In fact, under the Agriculture Department's grade stamp system, consumers could be misled into thinking some imported meat is produced in this country.

Many polls over the years, including two by the National Cattlemen's Beef Association, have found that country-of-origin labeling of food is something consumers want. At least one poll, conducted for *The Packer* newspaper in 1996, also indicated consumers would be willing to pay more for U.S. produce. Other U.S. consumer products—including automobiles, clothes and shoes—must meet country-of-origin labeling requirements. In addition, many of our trading partners—including Canada, Mexico, and many members of the European Union—have their

¹ Consumer Federation of America is an association of approximately 300 pro-consumer groups formed in 1968 to advance the consumer interest through advocacy and education. CFA's positions are determined by its members, who vote on them in annual meetings, and by its elected board of directors. CFA's policy resolutions have long supported country-of-origin and state-of-origin labeling of meat, poultry, seafood and fresh produce.

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own country-of-origin labeling requirements for food. It is time key food items in this country were subject to similar rules.

Record Keeping

The goal of this program is *not* to establish detailed record keeping but to require labels at retail that identify products by their country of origin. In its November 21 notice, AMS seems to lose sight of the latter while focusing too much on the former. Producers, processors and retailers only need sufficient information to indicate the country of origin of their products and, in many cases, this information is already at hand. The Customs Service, for example, already requires that imported perishable food items be labeled with their country of origin. This information follows products to the back of the retail establishment, but *not* to the retail customer. Similarly, meat grading regulations require all imported meat carcasses to be identified by country of origin. Regulations do not now require country-of-origin information on meat to continue to the retail level. But the same system used to transmit grade information to consumers—bags and boxes with labels on them—could easily be used to carry country-of-origin information to retail purchasers.

Audits should not be necessary if there is there is general compliance with the labeling requirement. All that is needed is a system that checks periodically to see if the law is being followed. If items are not being properly labeled or there are complaints, AMS can and should investigate. If a complaint against a retailer is upheld, in all likelihood the retailer will correct the problem by simply switching to another supplier.

Costs

CFA was pleased to learn in a January 27 meeting with AMS representatives that the \$1.9 billion cost estimate published in November is only preliminary and primarily meant to stimulate discussion. Also in the meeting, AMS representatives made major concessions about two assumptions underpinning its estimate. These assumptions, which tended to increase the AMS estimate, were that *all* U.S. producers, processors and retailers would incur higher costs under country-of-origin labeling and that *no* records are currently kept that verify the country of origin of the covered products. In the meeting, AMS said its estimate should be reduced to reflect those producers who do not supply the retail market and to reflect records that are already kept verifying country of origin. Making these two changes should bring the AMS estimate down considerably.

While the \$1.9 billion cost estimate was thus seriously flawed, it was still only 13 cents per consumer per week, based on a U.S. population of 290 million. That translates to about 40 cents per week for the average family. In addition, this estimate reflects substantial first-year costs that, according to AMS, are needed to develop record keeping systems. Presumably those costs would

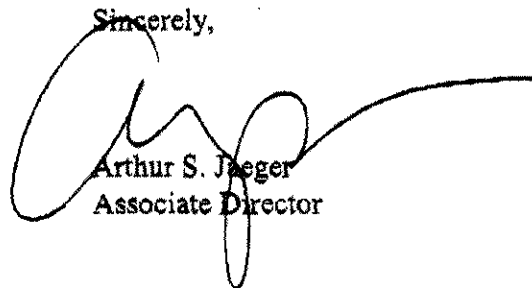
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disappear in subsequent years. If only ongoing costs are considered, even under the flawed AMS estimate, the cost of country-of-origin labeling for the average family drops to below 30 cents per week.

Finally, it is far from certain that *all* the costs associated with country-of-origin labeling will be passed on to consumers at the retail level. In a competitive market, it is likely that processors and retailers will absorb some of these costs. Alternatively, they can pass costs back to producers in the form of lower prices paid for covered commodities. Under the AMS estimate, if only 70 percent of the costs of country-of-origin labeling are passed on to consumers, the weekly cost for an average family falls to less than 30 cents in the first year. In subsequent years, the cost drops to less than 20 cents for the average family. Costs of this magnitude appear to be a reasonable tradeoff to assure country-of-origin labeling of meat and fresh produce at the retail level.

CFA appreciates this opportunity to present its views and encourages AMS to take these points into consideration as it continues to work on country-of-origin labeling. In addition, because of the controversy over the AMS cost estimate, CFA encourage the agency to consider commissioning a major independent study on the cost of country-of-origin labeling to consumers and other affected parties.

Sincerely,



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